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**Committee on Foreign Affairs**  
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**Theme: Agriculture and Food Security**

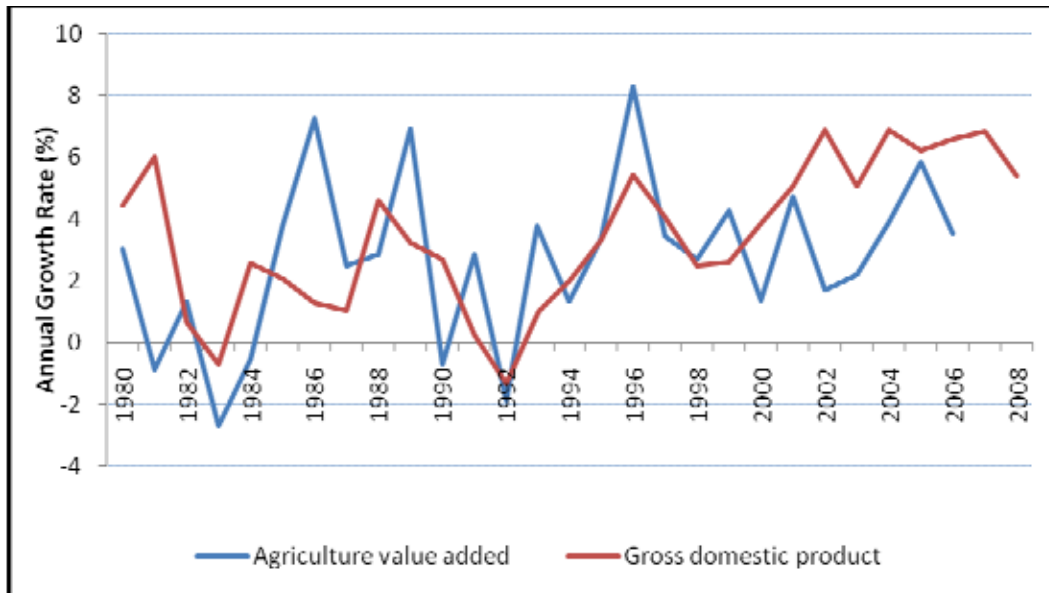
***1. What are the key issues for Africa with respect to development in the immediate and long term? Please comment on the relative importance and needs with respect to economic stability, the banking sector, employment generation, trade and infrastructure.***

After two decades of economic decline and stagnation, Africa has witnessed a remarkable overall economic and agricultural recovery over the last decade. Figure 1 below shows that the average rate of agricultural and overall GDP growth has increased steadily since the middle of the 1990s. More importantly, growth is also spreading to more countries, with an increasing number of countries growing at higher rates towards the end of the period under consideration.

The reforms of the 1980s, albeit costly and at times messy, had succeeded in stabilizing African economies after two decades of macroeconomic turmoil. They improved the economic environment and created conditions for the current recovery. Figure 2 shows the sharp decrease in average rates of inflation across the continent, following the reform of the 1980s and the concomitant surge in foreign direct investments. Country fiscal and external trade balances have shown similarly remarkable improvements, as foreign exchange reserves as a share of GDP continued to rise and budgetary deficits fell. African economies became more competitive in international markets. Agricultural exports by African countries grew faster than the world average during the first half of this decade. As a consequence, the share of Africa in global agricultural trade, which had fallen to 2 percent in the late 1980s from 8 percent in the 1960s, rose slightly in the

1990s and has since stabilized around 3%. The absolute value of agricultural and total exports and imports by Africa rose rapidly during the same period.

**Figure 1—GDP and Agricultural Growth in Sub-Saharan Africa (1980-2008)**



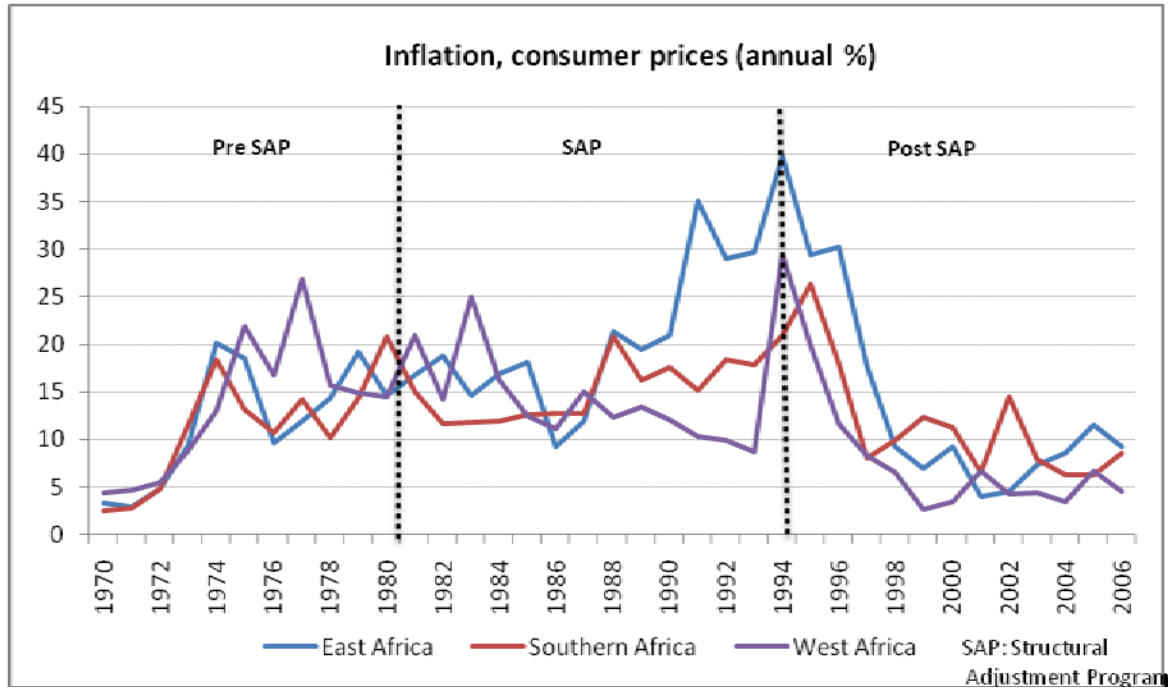
Source: Badiane (2008).

The reforms also raised the openness of African economies and rendered them more vulnerable to the vagaries of the global economy. The recent global food price crisis and the unfolding financial crisis constitute currently the biggest threat to macroeconomic stability and the sustainability of the economic recovery and growth in Africa. Estimates by the International Monetary Fund indicated that, already in 2008, at least a dozen African countries had lost more than 20% of their foreign reserves as a consequence of the surge in food and oil prices and a number of them as much as 50%. The fiscal cost of mitigating the impact of the food crisis was reflected in budgetary deficit of up to around 1% GDP in the hardest hit countries (Badiane and Makombe, 2009). Inflation started inching up, fueled by the global food price bubble, but slowed down later in the year due to the impact of the financial crisis on global demand. The latter crisis will sharpen competition for foreign direct investment and raise the cost of access to capital for African countries. Moreover, there are also indications that the flow of remittances have started to decrease. Average growth in Africa is projected to fall to 3% this year.

The global crises have come at a time when the growth recovery had just allowed African countries to make up the lost decades of the 1970s and 1980s. It had not yet led to substantial employment creation to absorb the significant increase in unemployed and underemployed labor during the stagnation years. The banking sector, which grew rapidly during the recovery period, had not yet penetrated the rural areas or expanded sufficiently to meet the needs of the emerging small and medium enterprises, in particular in the agribusiness sector. The required modernization of the smallholder agricultural sector and the rural economy has not yet taken off. The renewed, relatively stronger fiscal position of country governments had not reached significant proportions

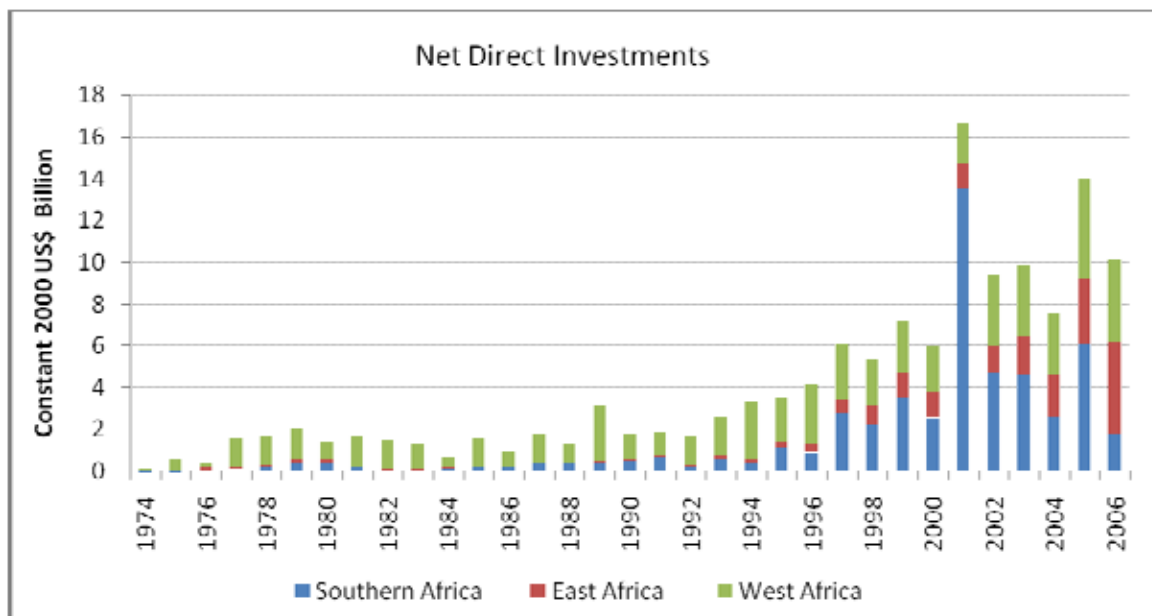
nor lasted long enough to allow countries to make up the many years of near-zero investment in infrastructure in general and the rural areas in particular.

**Figure 2— Economic Stability and Reforms in Africa**



Source: Badiane and Makombe (2009).

**Figure 3: Foreign Direct Investments and Economic Reforms in Africa**



Source: Badiane and Makombe (2009).

The key issues facing African countries, which results from the above situation including the following:

- a) The global recession resulting from the collapse of financial markets and its implication for future demand for exports from and foreign direct investments as well as remittances into African countries, and in turn the related macroeconomic and growth ramifications;
- b) The tightening liquidity situation in world financial markets, the changes in the global banking sector, and their consequences for the cost of access to international finance, the development of the local banking sector in Africa, and the supply of financial services domestically;
- c) The volatility of global agricultural markets and the resulting domestic policy responses within and outside of Africa to deal with its consequences, and their implication for long term trade competitiveness and growth. Of particular concern here are: (i) global protectionist tendencies in the agricultural sector; as well as (ii) the risk of “policy reversal” among African countries, that is the undoing of the successful macroeconomic and sector policy reforms that have paved the way to the strong economic performance of these countries over the last decade;
- d) The prospects for liberalized global trade in agriculture and its implication of the stability for world markets and the opportunity for African countries to compete will be more important for Africa in the future. A key issue is not just greater access to OECD markets but also the faster emerging economies, whose trade regimes are tightly linked to the domestic policies of developed countries.

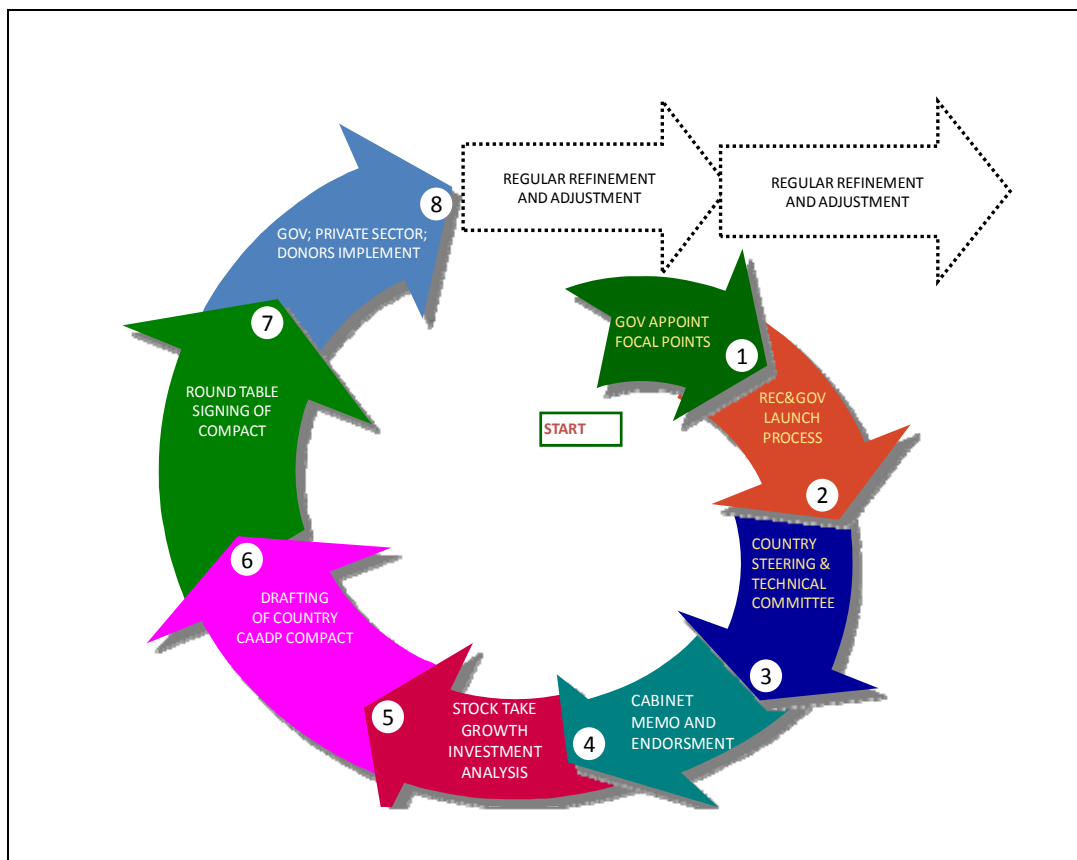
## ***2. What are the priorities for Africa with respect to agriculture in the immediate and long term?***

The short term priorities in Africa’s agricultural sector center around the policy responses to the dual financial and food crises and the mitigation of their impact. It is particularly important to note that the food price crisis of last year, despite its rapid spike and equally rapid subsequent loosening, is a sign of future long term tightening of global food supply and demand. Unlike past food crises in African countries, the current crisis is not the result of drought, flood, social strife, or any other disruptions of the supply base in Africa. Of even greater importance is the fact that the period of higher food prices is starting at a time when productivity is falling globally while rising among African countries. It is crucial therefore to see the recent crisis as well as the evolving trends global food markets as an opportunity for rather a threat to African economies.

Consequently, an important short term priority in Africa should consist in mobilizing the necessary short term investments to rapidly broaden access by smallholders to improved seeds and fertilizers in order to stimulate supply response and maximize the growth impact of the rising food prices in the agricultural sector and the rural economy. In doing so, it is important to adopt private sector friendly and fiscally sustainable approaches, including in cases where subsidies are required to lower cost and broaden adoption.

Another important priority in the short to medium term is to raise the quality of agricultural sector strategies and policies, in particular by facilitating the transition to evidence and outcome based planning and implementation. This is a major component of the Comprehensive Africa Agriculture Development Programme (CAADP), which was adopted by the African Union as part of the New Partnership for Africa's Development (NEPAD) and is currently under implementation in more than two dozen countries, with more slated to follow.

**Figure 4: The CAADP Implementation Cycle**



Note: REC stands for Regional Economic Community

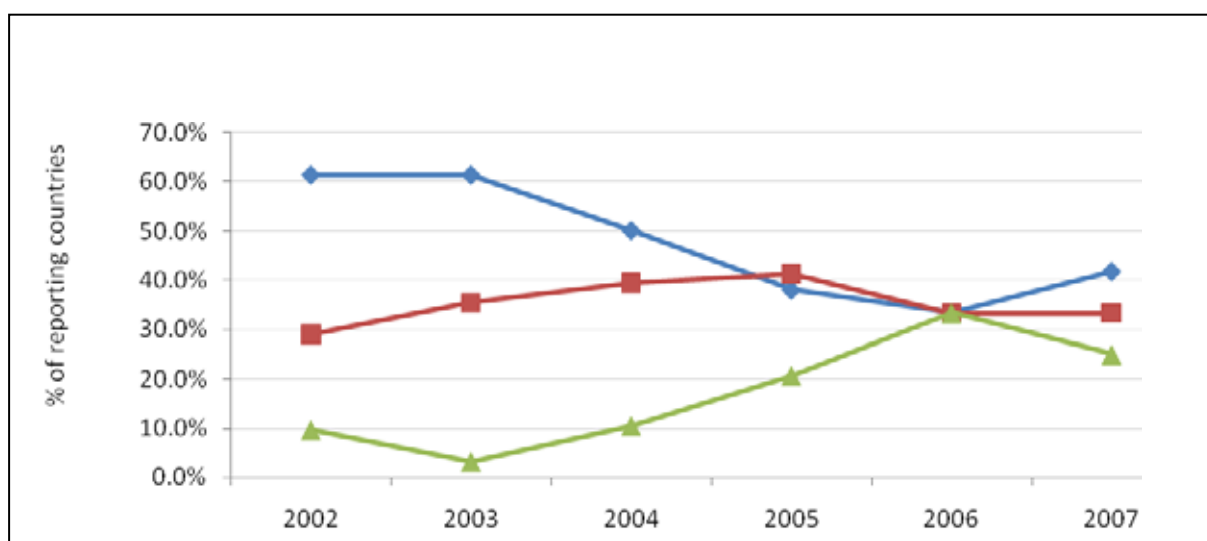
Through CAADP, African countries are seeking to achieve a minimum of a 6% annual growth rate in the agricultural sector. They had committed for that purpose to allocate at least 10% of national budget to the sector by 2008. Countries are working systematically to:

- (i) take stock of existing policies, strategies, and investment efforts and evaluate whether they are adequate to allow countries to meet the above growth and public expenditure targets;
- (ii) forge the necessary public private partnerships and business to business alliances to successfully implement the required policies and carry out the needed investments; and

- (iii) identify growth sources and investment options to ensure that countries that may not be on track maximize their chances of meeting these objectives.

As illustrated by the earlier discussion of the ongoing recovery, average growth in the agricultural sector is picking up and countries have made progress towards the 6% target growth rate. Latest estimates by the International Food Policy Research Institute indicate that 8 countries have reached the target agricultural sector budget share of 10%<sup>1</sup>. Another 16 countries are within the range of 5 to 10% budget share<sup>2</sup>. On average, agricultural budget shares have increased by 75% from 3.8 % 2000 to 6.3% 2005 to reach the same level as in Asia and double that of Latin American countries. It is important to note, however, that the average rates are still slightly below levels of 1980. African governments, therefore, have to make much more efforts towards reaching the CAADP 10% target. As shown in Figure 5, the share of countries moving towards that goal has increased since 2002, while the group with shares below 5% has shrunk. There has been little change among the group of countries in the 5-10% range.

**Figure 5: Progress Towards Meeting the CAADP Budget Target (%)**



Source: IFPRI (2009)

A key component of CAADP is that it has started to establish strong African leadership and ownership of the agricultural development agenda, while creating a shared framework for policy planning and implementation, including the related partnerships and alliances. Country leadership and ownership has been a critical factor in the Asian green revolution and will be equally critical for sustaining the recovery process in Africa's agricultural sector in order to boost long term growth and significantly reduce poverty. An additional priority in Africa's agricultural sector, therefore, is for bilateral and multilateral development agencies to strengthen the CAADP agenda and

<sup>1</sup> Burkina Faso, Ethiopia, Ghana, Guinea, Malawi, Mali, Niger, and Senegal

<sup>2</sup> Benin, Chad, Madagascar, Mauritania, Mozambique, Namibia, Nigeria, Sudan, Swaziland, Tanzania, Gambia, Togo, Tunisia, Uganda, Zambia, Zimbabwe

implementation process by aligning development assistance with the agenda and that process. It is particularly important to avoid disrupting the efforts by African countries by initiating parallel processes and programs outside of the CAADP implementation process.

CAADP has identified four major investment areas which are sustainable land and water management; trade and agribusiness development; science and technology; and hunger safety nets. A key priority that cuts across all these investment areas relates to the need to build trading capacities to cut the cost of doing business and moving goods across markets and over time. Another is the development of farming technology systems to cut the cost of supplying markets.

The following key priority issues can be summarized as follows:

- a) Private sector friendly programs to rapidly scale up access to improved seeds and fertilizers in order to stimulate short term supply response to the rising food prices;
- b) Supporting the ongoing “policy renewal” process under the CAADP agenda and aligning development assistance with the program objectives and priorities;
- c) Development of the agribusiness sector and related trade capacities, including the integration of smallholder farmers into the fast growing agricultural value chains, through investment in trading infrastructure, vocational training and work force development, and better access to financial services;
- d) Elimination of global protectionist policies to create for African countries the opportunity to compete and modernization of regional trading systems to link smallholder farmers to the rapidly expanding urban and transborder regional markets;
- e) Investment in technology systems, including emerging areas such as biotechnology and climate change adaptation, to raise smallholder productivity and expand competitiveness in domestic, regional, and foreign export markets.

### ***3. How would you assess progress towards the MDGs to halve hunger by 2015 and how should assistance be re-/directed in order to achieve it in – in terms***

While the number of African countries making progress towards the poverty MDG is growing, there is no question that the majority of these countries will not be able to halve poverty by 2015. The current economic recovery started relatively recently and has not had the time nor reached the magnitude necessary to undo the impact of two and a half decades of economic stagnation since the middle of the seventies. Figure 6 below shows the trends in poverty reduction across African countries compared to the MDG target. The gap is narrowing but will not close by 2015. Figure 7 shows several alternative scenarios to accelerating progress and meeting the MDG poverty target by 2015 for a selected number of countries. The blue line indicates the baseline poverty levels and the red line the target poverty rates by 2015 under MDG1. The bars in green

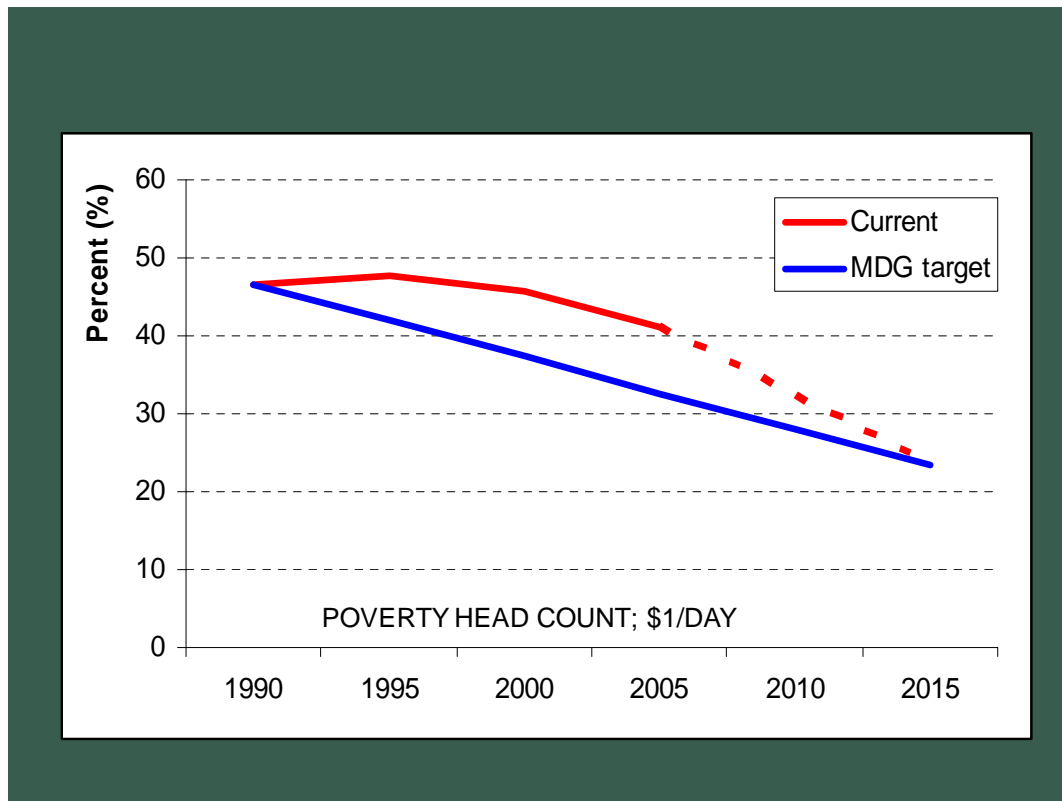
indicate estimates of the rate of poverty that would prevail in individual countries, if they were to meet the 6% CAADP growth rate. The purple bars denote the growth rates in the level of public expenditure for the agricultural sector that would be required to achieve the above 6% growth.

Several important conclusions can be drawn from the graph. First, achieving the target growth rate of 6% would allow half of the countries in the sample to halve poverty rates by 2015 but the other half would not. Furthermore, financing the 6% agricultural growth rate would require significant increases in public spending for the agricultural sector, with annual growth rates of up to 30%. Moreover, even for those countries that would have achieved the MDG poverty target, poverty levels would still be above 20%, with the exception of Ghana.

It is clear from the trend lines that many African countries will continue to struggle to address the needs of large shares of poor people among their populations. They will find themselves in an increasingly difficult situation of having to meet the rising costs of social services to mitigate the immediate impact of poverty and, at the same time, raise investments to boost and broaden growth in the rural sector in order to reduce the prevalence of poverty in the future. They try to achieve this in many instances, under extremely tight budgetary conditions. As a consequence and due to the strong pressures to address the acute social needs, governments are spending an ever-increasing share of their scarce resources on meeting short term needs at the expense of investing in productive sectors such as agriculture, or small-scale enterprises, as illustrated in Figure 8. These trends are untenable as they (a) reduce the pace of overall economic growth and thus perpetuate the prevalence of poverty while (b) reducing the economy's capacity to generate the necessary resources to combat the impact of poverty on an increasing number of poor people

It would be unrealistic and non-pragmatic, however, to imagine and expect a reversal of the public expenditure trends any time soon. The social needs are real and have to be addressed. As long as countries have to operate under tight budget constraints, the only option that remains is to devise strategies that maximize the contribution of social services to labor productivity in agriculture and the rural economy. This is because the most effective way to reduce poverty is to raise the productivity of resources that poor people depend on for their livelihood. In most African countries, these are agricultural labor and land. The issue here is not primarily the level of investment in social services and their known long-term impact on productivity. It is rather the call to maximize their impact through optimal allocation of expenditures across subtypes of services within a given social sector, say health, education, or social safety nets.

**Figure 6: Progress by African Countries in Halving Poverty (MDG target)**



Source:

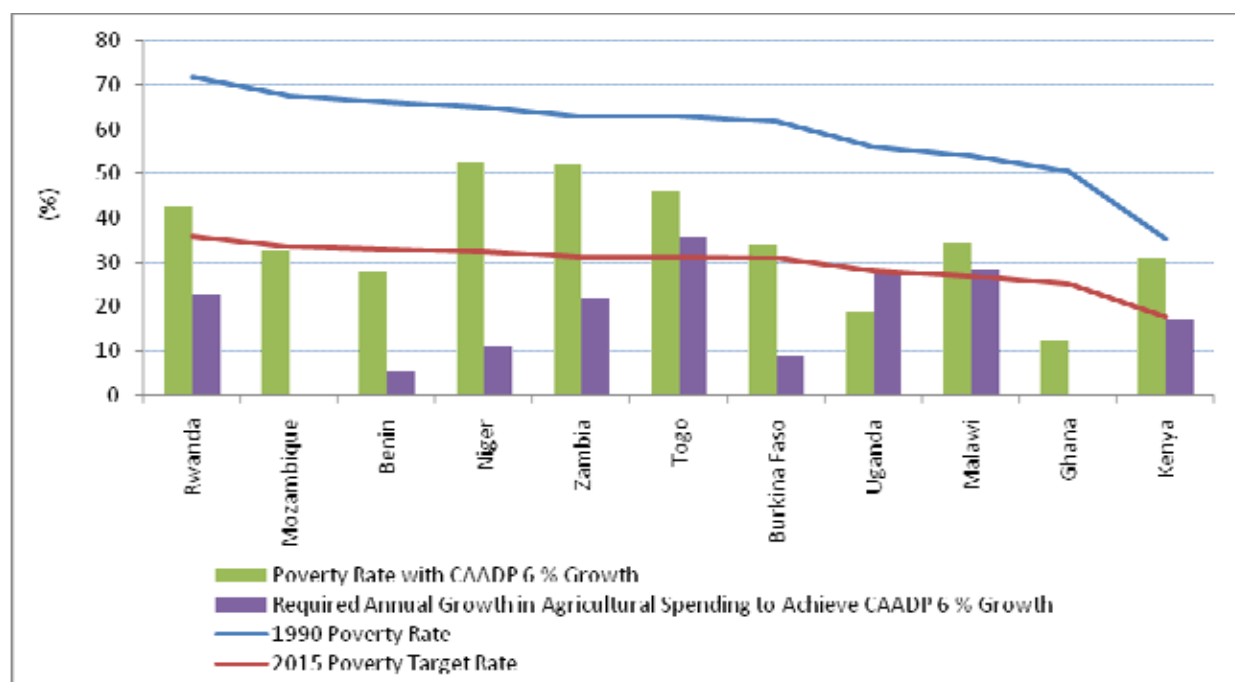
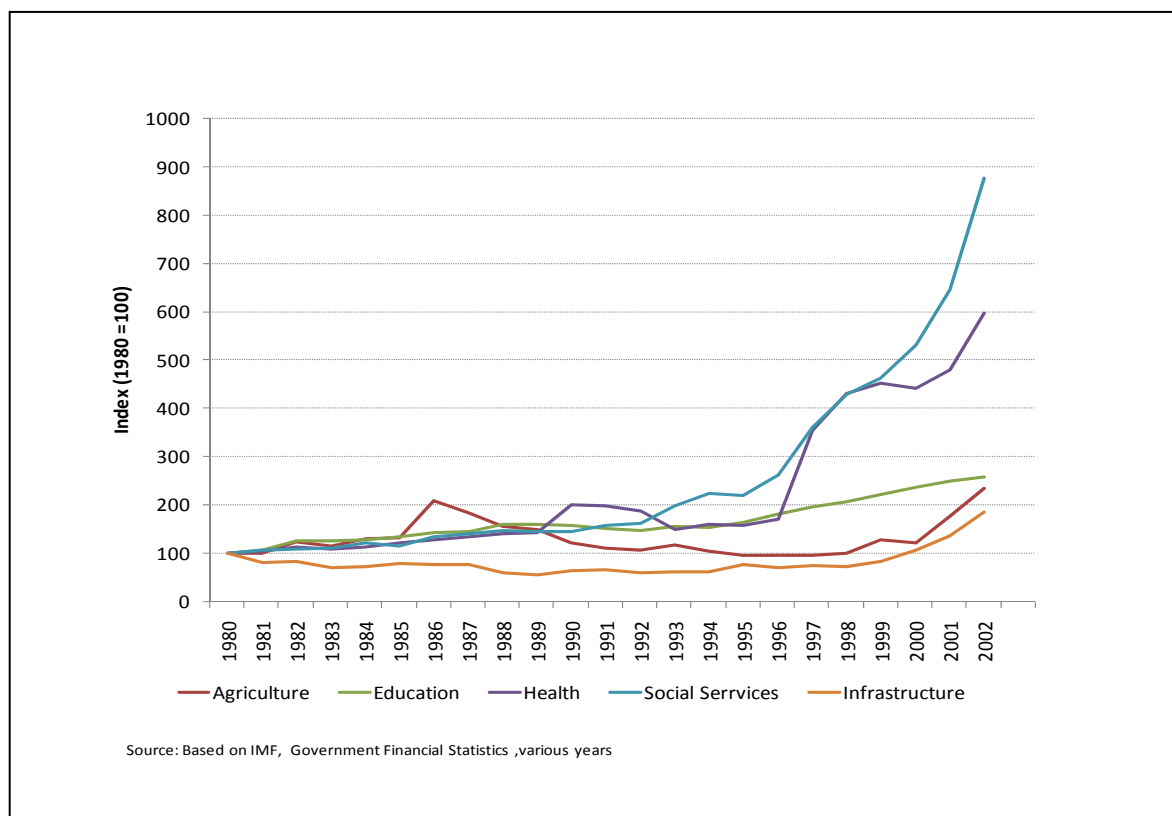
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For instance, rather than targeting traditional education sectors, country strategies would have to emphasize vocational training to modernize smallholder agriculture as well as work force development in the rural and agribusiness sector to raise productivity. Similarly, health services would have to target seasonal diseases in the rural areas that curtail labor availability during peak labor seasons and thus reduce farmer productivity. Finally, social safety services would have to give priority to interventions linked to health and education as indicated above.

The principle here is to look beyond entitlement and needs and keep an eye of the short term productivity and growth impact of social services. These requirements would extend not only to international development assistance but also emergency assistance. In particular, the latter would have to emphasize safety net programs with higher growth and productivity impact.

**Figure 7: Progress towards the Poverty MDG under Various Scenarios**

Source: Badiane and Ulimwengu (2009)

**Figure 8: Public Expenditure Trends in Agriculture and Services Sectors**

In sum, achieving the poverty MDG in a larger number of African countries would require governments to:

- a) Maximize investments in agriculture to at least achieve the CAADP growth rate of 6%;
- b) Prioritize investments in social services such as to maximize their impact on agricultural labor productivity and income earning capacities in the rural areas;

#### **4. *What are the priorities for Africa for achieving food security?***

The priorities for achieving food security for Africa can be derived from the analysis in the preceding sections. They would include:

- i. Short term strategies to position African countries to benefit from the rising food prices and mitigating their impacts by stimulating supply response among smallholder producers;
- ii. Building trading capacities and modernizing regional trading systems to reduce the cost of moving goods in domestic and trans-border markets;
- iii. Eliminating global protectionism and trade distorting policies that raise the volatility of global food markets;
- iv. Successful implementation of the CAADP agenda, in particular through transition to evidence and outcome base policy and strategy planning and implementation and adequate sector funding, to accelerate growth and raise incomes in the rural areas;
- v. Reorient social sector development strategies to supplement agricultural growth strategies and further accelerate productivity and income growth in the rural areas.

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